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SUBJECT: PORT OPERATOR POSTPONES GATE EXPANSION DUE TO ECONOMY;
MEGAPORTS AFFECTED

REF: 08 SINGAPORE 1201

1. (SBU) Singapore port terminal operator PSA Corporation Ltd. has decided to postpone construction to expand Gate 4 at the Pasir Panjang terminal due to a substantial drop in container traffic. Construction at the new gate was more than 50-percent complete, but PSA decided to mothball the project once it evaluated the costs against the sudden, dramatic fall in cargo volumes in recent months, LEE Tat Wee, manager for security projects in the Business Continuity Department of PSA, told Econoffs January 30. As a result, Megaports equipment that would have been moved to the new gate will remain where it is currently installed for the foreseeable future and any discussions of expanding Megaports into new lanes at Gate 4 (reftel) are on hold.

2. (SBU) PSA decided to discontinue construction once it understood the extent of the reduction in container traffic and determined that an expansion at Gate 4 was not necessary. Container volumes in November dropped 1.5 percent compared to the same period in 2007, the first year-on-year decline PSA had experienced since 2001, Lee said. By December the year-on-year decline increased to 15 percent.

On January 15, PSA notified the U.S. Department of Energy (DOE) of the change in plans and abruptly cancelled a January 19 and 20 visit and site survey that were planned in anticipation of relocating the existing Megaports equipment from two lanes at the old gate to two newly built lanes at the expanded Gate 4 in April.

3. (SBU) Lee could not say exactly when the new gate construction might resume, but predicted it would be two or three years before shipping volumes recovered to the point where an expanded gate would be necessary. Container volumes in Singapore have fallen to 2006 levels and six percent of the world's container vessels have been idled due to the economic downturn. PSA will notify DOE at least six months before resuming the Gate 4 construction so that DOE will have adequate time to relocate the Megaports equipment, Lee stated. Conduit was laid at the new gate that might support expansion of Megaports into more lanes (reftel), but the decision to expand remains with the GOS and will be on hold until economic conditions improve, Lee added. The GOS is ramping up some public infrastructure projects in Singapore to stimulate the economy, but PSA and the port facilities are considered private operations and will not be subsidized by the GOS, Lee said.

SHIELDS